

The PCS contribution to EPSU Quality of Life Campaign paper:

Public Services Reform in the United Kingdom

1. Introduction – Central Government Services

The Public and Commercial Services Union (PCS) is the largest trade union in the civil service and represents 320,000 members based in the civil service, non-departmental public bodies, agencies and related commercial sectors.

In July 2004 the Government set out their future spending plans in the Comprehensive Spending Review (CSR) and detailed the changes they wish to make to the public sector in the Gershon and Lyons Reports. As part of these changes the Chancellor, Gordon Brown, announced 104,000 job cuts and relocations, across different civil service departments, agencies and non-departmental public bodies. The cuts when announced amounted to around 1 in every 5 civil service jobs.

In anticipation of the CSR 2007 a 5% cut was announced as part of the budget statement, March 2006 for the Department for Work and Pensions (DWP), Her Majesty's Revenue and Customs (HMRC), the Treasury and the Cabinet Office. The Government's vision for CSR 2007 for other departments includes at least a 2.5% reduction of spending per year.

It is unclear what the total and additional cuts will mean in terms of workforce reductions but we anticipate that the cuts will exacerbate the damage already done to key public services provided by PCS members. We are also concerned about potential privatisation threats and offshoring of work as part of this restructuring process.

PCS members deliver essential public services from the cradle to the grave. These services include welfare and child benefits, the national minimum wage, passports, driving licenses, tax credits and pensions.

In the civil service women, part time workers, disabled people and those from BME communities tend to be concentrated in the lowest paid posts, the posts which have been targeted for cuts are those occupied by these workers.

The PCS campaign against job cuts has been successful to date in avoiding compulsory redundancies and tackling privatisation threats. Yet there are growing signs the cuts are damaging service provision and the situation across the civil service will deteriorate further.

PCS continues to press the Government to agree that PCS members who wish to remain in the civil service should be able to do so. PCS continues to monitor and analyse the current situation and the risks to members. If compulsory redundancies or relocations arise, PCS Conference policy outlines a strategy which includes organising a national ballot for industrial action.

2. Geographical issues

Scotland

The Efficient Government programme extends to Scotland notably through the discussion document “Transforming public services – the next phase of reform” issued by Scottish Ministers in June 2006. Reforms being discussed include sharing services across the full strata of the public sector under devolved Scottish governance, including local government, health, education and police and fire boards as well as the areas of public and civil services which fall under the remit of Scottish Ministers.

PCS represents 35,000 members in Scotland working in Scottish Executive and Government departments, agencies and public bodies, the Scottish Parliament and in a number of private companies, notably in information technology. We therefore restrict comment only to the sectors in which PCS has an industrial interest and a significant level of expertise and industrial knowledge.

PCS Scotland welcomes the positive agenda on public sector reform which Scottish Ministers have fostered and that has at its core:

- A commitment to reinvest in frontline services in the department from which efficiency savings have been made.
- A presumption against compulsory redundancy in favour of natural wastage, supported retraining and redeployment.

These guiding principles are crucial to PCS Scotland’s on-going positive engagement with Scottish Ministers in the Efficient Government programme. The national union is concerned that the UK government shared services agenda has become a tool to escalate the job cuts programme. PCS nationally has also expressed concern over the longer term threat posed by the UK shared services agenda of an internal civil service market, out-sourcing, and possible off-shoring.

The shared service model is a private sector initiative dating back 20 years with a focus on reducing duplication of corporate services across business sectors. The Scottish Executive will encourage consideration of the range of public, private or public/private models of delivery. PCS is seeking a clear commitment that all shared services work remains within the public sector and any terms of transfers should be negotiated fully. The EU Services Directive, if and when implemented should not be used to undermine this commitment and lead to off-shoring.

The design of a shared service framework for the Scottish Executive should be developed to ensure consistency across proposals for shared services, with transparent processes, including equality proofing, negotiation and agreement with trade unions. The Memorandum of Understanding between the STUC, its affiliates and the First Minister sets out clearly our joint commitment to engage on these matters.

In applying the shared services model to the Scottish civil and public services, Scottish Ministers may require to reverse some previous decisions to move certain functions of the Scottish Executive (and its predecessor body) out to agency and arms length bodies. The current development of the Scottish Transport Agency must be considered in this context. Shared services initiatives cannot be divorced from a wider review of the public sector, as indicated in the separate ‘Transforming Scotland’ discussion document.

The potential location of shared service centres will also have significant implications for staff. PCS seeks consultation at an early stage on location proposals.

Agreement should be reached on what services are to be provided by a shared service proposal, whom the employing department, agency or body of shared service staff will be, and on the number of staff, pay, grading and training. PCS seeks to agree service levels and quality standards to be provided by departments, agencies and bodies and civil and public servants by any shared service proposal.

There are significant implications for the job security of many PCS members. The UK government's shared services groundwork points to a 50% reduction in transactional costs, which includes significant job losses. More clarity is required on how potential job reductions are to be managed and what sort of timescale is envisioned to implement these changes through "natural wastage" and transfers. PCS seeks early discussion and negotiations over the numbers, grading, and roles of corporate service staff transferring and those remaining in the department, agency or body affected. We seek a commitment that all PCS members working in corporate services affected by shared services proposals will be found suitable alternative posts, without loss or detriment.

PCS members working in existing corporate services should be offered permanent transfer on the existing terms and conditions to any new shared service centre, but with no compulsion to move, and under the protection of the appropriate arrangements.

At a sector level PCS wishes to engage in discussions with the Ministers and senior civil servants in the Scottish Executive to ensure that as necessary we can build upon the agreement reached between the Minister and the Civil Service Trade Unions of 16 December 2004. At this time, Mr McCabe made it clear that Scottish Ministers would hold to their approach of not setting any targets for job losses as a result of the delivery of the Efficient Government Plan or other initiatives being promoted and that where any posts were given up because of changing priorities, every effort would be made to reassign staff to vacancies elsewhere in the Executive. He could give no assurances of the Executive's ability to assist with regard to the position of staff affected by decisions made by Ministers in UK Departments until he was clear that the commitment to Executive staff would not be jeopardised. In addition it was also noted that Scottish Executive Ministers would endeavour to do all in their power to avoid, in the departments and agencies within their areas of responsibility, any compulsory redundancies arising from the Spending Review decisions, the Efficient Government Plan, relocation policy or other initiatives that they had promoted.

PCS looks forward to early discussions with both Scottish officials and the Minister on all of these matters. It is paramount to PCS that we seek to ensure on behalf of the workers we represent and the people of Scotland, that we can deal with all of these issues in a way which ensures the highest quality of civil and public service work and the maintenance of our members interests, without whose commitment to public service ethos and skills, the objectives of Ministers cannot be delivered.

Wales

The National Assembly for Wales, established in 1999, has devolved responsibility for agriculture and rural affairs; culture, sport and the Welsh language; economic development; education and lifelong learning; health and social care; local government and some aspects of community development, housing, transport and the environment. Unlike the Scottish Parliament, the Assembly does not have the power to pass primary legislation but has to request that the Westminster Parliament pass Wales-only bills. The

Government of Wales Act 2006 provides for the Assembly to write its own legislation in devolved areas, but only within parameters explicitly approved by Westminster on each occasion.

The Assembly is directly responsible for around 6,000 civil servants and indirectly for around 2,000 staff who work for Assembly-sponsored public bodies (ASPBs or quangos). Four of the largest ASPBs were merged into the Assembly Government in 2006 and another two will follow in 2007.

The current Labour administration in the Assembly, under Rhodri Morgan, has pursued a policy with regard to public services that diverges significantly from the policy of the Westminster Government – for example, Wales has no foundation hospitals, no school league tables, very little PFI and will have abolished NHS prescription charges by 2007. In a December 2002 speech, Rhodri Morgan talked about putting ‘clear red water’ between Wales and Westminster. Assembly ministers have rejected market competition and ‘consumer choice’ as the basis of public sector reform. Gordon Brown’s July 2004 announcement of 104,000 civil service job cuts included 20,000 from local government and the devolved administrations but Rhodri Morgan, like Scotland’s Jack McConnell, distanced himself from the emphasis on efficiency through job cuts. The Assembly Government’s document on public services published shortly afterwards, *Making the Connections*, sets out an alternative approach to public services, based on collaboration and partnership.

Assembly Government management have involved the trade unions throughout the process whereby *Making the Connections* and the Assembly-ASPB merger have been rolled out. The unions have been able to protect their members’ interests in the assimilation of pay and conditions and have secured the agreement of ministers and officials to avoid compulsory redundancies. In meetings during the early part of 2006, Assembly officials indicated their intention to cut 20% of Assembly posts - equivalent to 1,200 jobs - over the next three years. PCS responded by mounting a high-profile media and political campaign in opposition to cuts of this magnitude. Following a meeting with the Assembly’s Permanent Secretary, a joint statement to staff was agreed which set out formal procedures for consultation on workforce planning and provided for a strengthening of partnership working.

3. Trends in Public Sector Reform – structural change?

Break-up and fragmentation of services

Some examples of fragmentation across the civil service include:

In 2003, the government unveiled plans to privatise the UK’s **Forensic Science Service**. Only a campaign by PCS and Labour MPs forced the government to pledge that the service would remain in the public sector for two more years. If privatisation now goes ahead, it would leave the UK as the only country in the world that considers the detection of crime should be a matter for private profit.

Core services in the **Department for Work and Pension** (DWP) face transfer to the private sector. Despite the success of the Pathways to Work pilots, the Government are planning to outsource 60% of the new schemes to either the private or third sector. The

privatisation proposals are in response to the Treasury's demand for job cuts rather than any evidence that this would result in benefits for those who need the service.

The **Ministry of Defence** (MoD) is currently facing unprecedented attacks. Even the skilled professionals who train the armed forces are under threat of being sold off as part of the Defence Training Review and we could effectively see the transfer of 4,000 staff to the private sector.

As well as introducing new work practices to deliver efficiency savings, **Revenue and Customs** (HMRC) are reducing the size of its estate. One example of this is the Workforce Change programme where members in Distributed Processing Offices (DPO) have been threatened with having their work moved to large new contact centres. DPOs in the North West were threatened with closure with the removal of administrative grade work to a large call centre in Liverpool with all other grades being threatened with the loss of their jobs. HMRC have also been closing Enquiry Centres across the country. The introduction of mobile teams of custom officers to cover huge geographical spread of entry points is proving wholly inadequate to control smuggling with no permanent customs cover at hundreds of miles of coastline.

The role of the third sector and private companies

The privatisation and outsourcing of public services has been a constant threat to those services and the staff who deliver them for more than two decades now. Since coming to power the Labour Government has continued the Tories' deeply unpopular drive to privatise UK public services. A variety of mechanisms such as the Private Finance Initiative (PFI) and Public and Private Partnerships (PPP) have been used to advance this agenda.

Privatisation continues or is being newly introduced across the civil service, non-departmental public bodies and agencies and involves lots of other parts of the public sector such as health, education, water, gas, electricity, the criminal justice system, fire services and railways.

In the process of privatisation there is insufficient consultation with trade unions, affected organisations, citizens, service users and elected representatives. This means that privatisation is undemocratic, ill planned, impractical, inflexible and makes it harder to hold people to account when things go wrong.

There is no reliable evidence that the private sector is more efficient than the public sector. Private companies are not producing the anticipated improvements in delivery time or cost, nor are they meeting quality standards.

The private or third sector are not monitored to the same level as the state sector on issues of equality. PCS demands that civil service employers carry out equality audits and assessments in accordance with legislation. If the cuts were in the private sector, there is no general duty for the employer to carry out this work.

Privatisation can also be more expensive in the long term. This is shown by the spiralling IT problems and associated costs in the civil service where contracts are often flawed and uncertainties and problems are not predicted so when things go wrong, it is often PCS members who have to bear the brunt of the problem and try to help to sort it out.

Nowhere in the world are universal public services delivered solely by the private sector. These services exist not for profit, but to support the social, economic and environmental well being of communities. This is why governments take on responsibility for their funding and the regulation of their quality and delivery. Governments have – and ultimately retain - responsibility for the risk of service failure, a risk that as we have seen in the cases of Railtrack and National Air Traffic Control can never be transferred, no matter who provides the service.

The Treasury maintains that greater labour-market flexibility and the increasing use of the private sector in the public sphere will produce efficiency savings and improve the overall performance of public services. PCS has been at the forefront of challenging this view. The evidence shows that privatisation usually has a detrimental impact on the delivery of government services, as well as on the pay and conditions of public sector employees as a whole.

Privatisation means massive profits for multinational companies such as Fujitsu and Siemens. Since 1993 these two companies have won contracts in areas as diverse as taxation, defence research and the Driving Standards Agency. Profits made by private companies are out of all proportion to the risks taken. Private contracts are yielding huge profits at a time when civil service staff is working longer hours with increasing job insecurity.

Private contracts tend to make savings by reducing salaries and cutting jobs. There is ample evidence of the emergence of a two-tier workforce, with terms and conditions much worse for new employees than for staff transferred under TUPE. The two-tier workforce generally is a disunited workforce with lower morale, less trade union protection, and low quality terms and conditions.

PCS continues to campaign to protect public services and work with other unions to defend member's interests. Placing private interest or the profit motive over and above the conditions of employment of PCS members and the public service we deliver will not help to achieve the Government's aims to create public services which are high quality, universal and citizen centred.

Large and significant sections of the civil service are now being privatised, or under threat of privatisation. Specific examples are detailed in the 'Sector by Sector' document.

PCS has worked with Steve Davies, Senior Research Fellow at Cardiff University's School of Social Sciences on a report entitled 'Third Sector Provision of Employment-Related Services' June 2006. This document is available from PCS.

Office closures and reduction of accessibility of services

PCS recognise the need to avoid duplication of services and the benefits of a planned approach to local service delivery reflecting changes in demography, local circumstances and other factors. Yet the current office closure programme across the sector is having an adverse impact on PCS members and the services they provide.

For example, by 2008 over 600 DWP offices will have closed, many of them providing the only local outlet for services in their area. We also face offices being closed because private sector suppliers are no longer prepared to keep the office open.

In many rural areas, processing and delivery are increasingly divorced, with the result that individual cases can become entangled as different staff seek to resolve issues in different locations.

Specific examples of regional office closures and what happens to the quality of services provided to service users is illustrated in the examples below.

Across the Glasgow area the department's plans will see the closure of 8 local offices. All benefit processing will be undertaken at one Benefit Processing Centre in the city centre. That office will have no face-to-face contact with the public. Instead benefit customers will have to interact with the department by telephone. Management should advise customers, customer interest groups, MPs and Local Authorities of these plans. They are also required to negotiate with the constituted trade unions over the various issues brought about by these changes. To date management have done none of these things. In fact, management themselves have told PCS they don't really know what will happen to staff, and they see no point in carrying out risk assessments on how this change of benefit processing will affect staff or customers alike.

One DWP office in Coatbridge in Lanarkshire (where as many as 10,000 people are claiming benefits) was closed in January and means people looking for jobs will have to travel up to five miles to neighbouring Airdrie or Bellshill. The Jobcentre will be turned into a benefit processing centre. No public services will be offered and all job hunting activity will be done at centres in neighbouring towns. In Lanarkshire there is a depressed economy and an unemployment problem. Coatbridge is the first of six towns in Lanarkshire which will lose their local centre.

4. Trends in Public Sector Reform – an end to accountability?

Service Failure

The most striking example of problems associated with the government's efficiency agenda include the impact that the arbitrary job cuts have had in the DWP. The House of Commons Work and Pensions select committee report on Efficiency Savings in JobCentre Plus, March 2006 identified a 'catastrophic failure'.

JobCentre Plus is now nearing its fourth birthday. The principle behind it was to bring together the benefits system with access to help to find work. But, the report concluded that much has been asked of Jobcentre Plus as the DWP's efficiency programme overlaps with substantial organisational change. As a result the Agency has been faced with a "shed-load of difficulties", in the words of the Secretary of State. The select committee received evidence that change planning has been poor, with management across the country struggling trying to keep up with, and solve problems caused by, the myriad of IT, staffing, process, telephony and financial programmes which are all underway at the same time.

One manifestation of these problems took place in summer 2005 in many of the Contact Centres for those claiming benefits. Poor staffing planning and IT problems contributed

to truly appalling service levels - the customer service measure dropped to 26.8% in one Contact Centre group against a target of 81%. Advice organisations presented a series of cases to the Committee where people were left calling again and again, sometimes for weeks, to make a benefit claim. In some areas a new system for applying for Crisis Loans was being trialled at the same time. This meant that some people already let down by Contact Centres were waiting for up to three hours outside phone boxes for Crisis Loan decisions.

Worryingly, by the admission of the Permanent Secretary, the programme has adversely impacted on the levels of official error. The Autumn Performance Report refers to the aim of "halting the slide" in Income Support accuracy.

The rollout of the new Jobcentre Plus model involves closures of offices in both rural and urban areas. As a result, people are often having to travel considerable distances to attend interviews, at considerable cost, time and inconvenience.

The select committee also noted that there was a near-complete breakdown of effective engagement between Jobcentre Plus and the private and voluntary sector providers who supply many employment and training programmes during 2005 which is only now being resolved. According to the committee, the current procurement process is deeply flawed and needs to change - small steps have been taken, but the committee wish to see a more fundamental review.

The Minister asked the committee to "celebrate" the work done by Jobcentre Plus and the recent positive movement in some trends. The committee in response, commended the efforts of staff in dealing with vulnerable people and have welcomed the efforts they have made to turn things around. Yet the committee stated that staff should never have been put in this position in the first place. Too much has been done too quickly, the planning and IT processes were not up to the job, and service levels have suffered.

The committee concluded that one of the tests of the Gershon programme is that service quality should not deteriorate as a result of the efficiency programme. As far as Jobcentre Plus is concerned, particularly in the summer of 2005 it failed that test, and failed its customers and staff.

There are further investigations and reports into service delivery failure including a report, commissioned by the National Audit Office in March 2006 about delivering effective services through contact centres, the report identified 21 million calls going unanswered across the DWP.

5. Trends in Public Sector Reform – a new workforce?

New technology

A common trend across the civil service is to engage private sector companies in the design and delivery of IT contracts. PCS has ample evidence of problems associated with this approach and includes:

Home Office Criminal Records Bureau – The Capita run IT system led to 2,700 innocent people being labelled as criminals. They were labelled thieves and sex offenders because their names and dates of birth matched those of convicted criminals.

Passports - Problems with an IT system run by Siemens Business Services led to a backlog of 5,000 passport applications. This has led to the Home Office being forced to withdraw the on-line passport application service.

Child Support Agency - EDS have been responsible for a delayed and over budget £456m IT system installed in 2003 that led to backlogging of payments to single parents.

DWP – The DWP computer system set up by EDS crashed in Aug 04 depriving a million pensioners of their money for a whole week. Despite this, DWP have given EDS a 5 year contract to run both the pensions and JobCentre IT systems.

DWP has invested huge amounts of money and confidence in the IT system called Customer Management System and is using IT as an explanation of how the department can meet the Government's efficiency savings and job cuts. PCS has consistently argued that cutting jobs and introducing untested technology at the same time is not a successful model and unfortunately this continues to be proved correct.

Consultants

The Efficiency Savings programme has already resulted in a dramatic increase in the use of consultants, temporary and agency workers that has helped to mask the impact of the cuts and to enable work that should be done by civil servants to be carried out.

The **Rural Payments Agency** (RPA) is one example and is the highest employer of agency staff within the civil service. In Newcastle there are 201 permanent staff employed at the RPA compared with 200 casual and 500 agency staff. In Workington roughly 530 staff (half the workforce) are from a recruitment agency.

In **HMRC** alone £106 million was spent on consultants during 2005/06. Private consultants working on IT projects are being paid a daily average of £750 while civil servants are being paid £120 for doing the same job. £7.4 million has been spent on consultants to introduce new processing into HMRC.

The **Department for Constitutional Affairs** (DCA) spends an amount equal to 20% of the staff budget on agency staff and consultants.

6. Conclusion

PCS has adopted some general principles that govern our campaigning on these issues and can be summarised as follows:

- We all rely on public services, and everyone benefits when they are properly resourced, accessible, work well and are easy to use.
- We value the role of civil servants in public life and recognise the valuable contribution they make towards the functioning of a civilised society.

- All members of society have the right to use and receive quality government services. Services should therefore be tailored to ensure that they are accessible. In practice this means that local face-to-face service provision should be available to those who need it.
- We fear the loss of jobs will make civil services harder to access, particularly for vulnerable service users and the socially excluded.
- We believe that the governmental sector should be adequately resourced with sufficient staffing levels to deliver services effectively and to implement government policies and programmes.
- Services should be developed in consultation with all stakeholders, not in response to arbitrary job cuts.
- Services ought be accountable to those who use them and therefore should remain in the public sector.
- Every civilised and democratic society requires effective civil and public services.

We would hope that these principles will contribute and assist the development of the EPSU campaign.

PCS in conjunction with Professor Roger Seifert and Mike Ironside from the Centre for Industrial Relations at Keele University, an Alternative Vision for the Civil Service entitled 'The case for civil and public services: an alternative vision'

In the booklet the authors argue:

- the general case in favour of a thriving, sustainable, and efficient public sector
- that the road towards improving the efficiency of public services is not through piecemeal cuts and privatisation but through planned growth
- that reckless cuts and unplanned changes made for short-term party political advantage will not efficiently deliver complex and socially critical services
- that an independent, well-trained, well-resourced, accountable civil service is essential for our political democracy and our mixed private/public economy
- that bureaucracy is not wasteful but is the best guarantor of efficiency and fairness in the application of government policy.

The booklet develops the case for civil and public services in more detail, by:

- critically examining the claims that efficiency can be achieved by cost-cutting through new technology, fewer staff, transfer to the private sector, or directing resources from the 'back-office' to the 'front-line'

- outlining the risks to services and potential greater cost of cuts made on the basis of narrow market definitions of efficiency, and warning of the failure of services run with fewer staff with a more intense workload controlled by inappropriate modern human resource management techniques to deliver services fairly and reliably
- presenting the case for a socially efficient civil and public service system, and arguing the case for bureaucracy as essential to our democracy and for planning socially efficient services
- analysing the role of the civil service in a modern democratic state in providing benefits, collecting revenues and carrying out the rules needed to govern society fairly
- discussing the roles and functions of civil servants, and arguing that civil and public services -- planned, regulated, and delivered with full regard for the values of fairness, justice, and equality -- are vital to the economic, political, and social well being of the nation
- arguing for public ownership and control over all aspects of service delivery in the civil and public services, for efficient public services to deliver carefully formulated government policies, and against services delivered to meet individualised market choices
- arguing the case for staff involvement through their trade unions in building the public services of the future, and concluding that person in the country depends upon an accountable, honest and efficient civil service to maintain the social cohesion, economic progress, and political life of the nation.

The booklet is illustrated by case studies provided by PCS members -- individual civil servants explaining what they do and why it matters.

PCS would like to see the incorporation of the above principles and objectives into the UK component of the EPSU Quality of Life campaign.

The booklet is available from PCS on request.